

# Committee on Ways and Means

## *The Estate Tax and Extension of Tax Relief Act of 2006*

### Overview

#### PERMANENT ESTATE AND GIFT TAX RELIEF

- The *Estate Tax and Extension of Tax Relief Act of 2006* provides **permanent** estate and gift tax relief. Under current law, the estate tax relief provided in the *Economic Growth and Tax Relief Reconciliation Act of 2001* (EGTRRA) will end in 2010. Unless Congress acts, in 2011 the estate tax exemption will drop to \$1 million per person and the maximum estate tax rate will increase to 55 percent.
- Highlights include:
  - Reunification of the estate, gift and generation skipping transfer taxes, giving individuals greater flexibility to make estate planning decisions during life.
  - Increase of the estate and gift tax exemption amount to \$5 million per person (indexed for inflation). The \$5 million per person exemption amount is fully phased-in effective January 1, 2015.
  - Reduced estate and gift tax rates. Amounts up to \$25 million (indexed for inflation) will be subject to tax as the capital gains tax rate (currently 15 percent, set to increase to 20 percent in 2011 unless extended). Amounts in excess of \$25 million (indexed for inflation) or more will be subject to a phased-in reduced rate of tax of 30 percent. The 30 percent tax rate is fully phased-in effective January 1, 2015.
  - Portable spousal estate and gift tax exclusion to allow married couples to take full advantage of the \$5 million per person exemption amount (indexed for inflation) by carrying over any unused exemption to the surviving spouse, subject to the phase-in of the exemption amount.

#### EXTENSION OF PROVISIONS THROUGH 2007

- The *Estate Tax and Extension of Tax Relief Act of 2006* provides an extension through 2007 of numerous provisions that expired at the end of 2005 or will expire at the end of 2006. In addition, a number of provisions, such as the Research and Development Tax Credit and the Work Opportunity Tax Credit, have been enhanced to provide more valuable incentives and additional tax relief.
- This extension provides for a “seamless” extension of those provisions that expired at the end of 2005 and gives taxpayers certainty through 2007.



## OTHER TAX PROVISIONS

- The *Estate Tax and Extension of Tax Relief Act of 2006* also contains a package of other tax provisions designed to provide additional tax relief and certainty to taxpayers.

## OTHER PROVISIONS

- The *Estate Tax and Extension of Tax Relief Act of 2006* contains a package of modifications to the Abandoned Mine Land (AML) Program.
- The *Estate Tax and Extension of Tax Relief Act of 2006* increases the current federal minimum wage rate of \$5.15 per hour by \$2.10 over three years in the following increments: \$5.85 an hour effective on January 1, 2007, \$6.55 an hour effective on June 1, 2008 and \$7.25 an hour effective on June 1, 2009. The provision also provides that tips may be counted towards meeting any future minimum wage increases by employers in those states where state law prohibits tips from being calculated as part of the minimum wage.